GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3953
ANSWERED ON:17.08.2001
SLOWDOWN OF US ECONOMY
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Will the Minister of FINANCE be pleased to state:

(a)Whether the United Nations Chief of trade and development agency has warned the world economy, which recorded the strongest growth performance of 4 per cent last year would face serious down-side risks this year because of a sharp slowdown in the Unites States economy;

(b) if so, whether the countries like Japan, South Korea,Malaysia are expected to suffer most due to their dependence on the exports of micro-electronic and information technology products to the US;

(c) if so, to what extent it has also affected the Indian economy; and

(d) the steps taken by the Government of proposes to take to meet this situation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) The reported assessment of United Nations Conference on Trade and Development (UNCTAD) is contained in the Trade and Development Report 2001 of UNCTAD. The current slowdown in the US economy is of world wide concern for prospects of world economy, given its pivotal role in bolstering global demand in recent years.

(b) An important reason for the US slowdown is the unwinding of its high tech boom resulting in a drop in its investment spending. This is likely to affect the exports of Information Communication Technology(ICT) related sectors of Japan. Similarly, the downside risks of East Asian countries like South Korea and Malaysia, who are globally linked to the High tech cycle in the US are considerable. As the performance Of these economies depends to a large extent on external demand for electronic goods, their growth would suffer from any such reduction/deceleration in world demand for these goods.

(c) India`s export basket is diversified in terms of products and destinations. Although USA is India`s largest trading partner, its relative share to GDP is not large and therefore makes downside impact on our exports not significant.

(d) The trends in the external sector are under constant review and closely monitored and appropriate measures taken in the light of the emerging trends.